

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR APPROVAL OF)	CASE NO.
SALE OF PUBLIC GAS COMPANY)	9442

O R D E R

On October 10, 1985, Public Gas Company ("Public") filed an application requesting the Commission to approve the sale of its stock which occurred December 29, 1984. According to information filed in the application, Edmund Vachon acquired 100 percent of the outstanding stock of Public previously held by Edsel McCoun, Red Head Oil Company, Inc., and PATS Service Company.

On April 25, 1986, the Commission issued an Order requesting additional information relating to the financial condition of Public, any current relationships between Public and the previous owners, and the extent to which Mr. Vachon is ready, willing and able to operate Public in compliance with the Commission's regulations.

On June 24, 1986, the Commission conducted a hearing in this matter to further consider testimony and other evidence on the proposed sale of stock.

COMMENTARY

Based upon the testimony at the June 24, 1986, hearing, Mr. Vachon purchased Public because it represented a financial opportunity and he desired to remain active in the natural gas

business. The Commission notes that Mr. Vachon has previous gas-related experience with Capitol Oil and Gas Company, and Public under its previous ownership. This experience includes both accounting and management responsibilities. The record in this proceeding also shows that Mr. Vachon has initiated actions to improve maintenance of the system, to correct certain violations of the Commission's pipeline safety regulations, and to expand the customer base of the system. Since his assumption as owner Mr. Vachon has hired a general manager who supervises a secretary and one field person. Mr. Vachon has also replaced approximately 300 meters in the past 12 months, renovated portions of the system with plastic pipe, and arranged for a qualified corrosion technician to inspect Public's uncoated steel pipe to determine which portions should be replaced and which can be cathodically protected. Additional commercial customers (14) have also been added to the Public system since Mr. Vachon has assumed ownership, some of whom have a relatively consistent consumption pattern all 12 months of the year.

One issue in this proceeding which remains of concern to the Commission is the current contract between Public and its sole supplier, PanBowl Production. Particularly, the amendment to the contract signed by Public on January 31, 1985, in which the principal change was an increase in the price of gas to Public. The Commission recognizes that in essence Public is a captive customer of PanBowl Production, since other gas supplies are too far away to be economic (requiring the installation of too much pipe). However, the Commission is of the opinion that additional

review is necessary to determine whether Public entered into this amendment with any consideration to the increased price. The Commission will not pursue this issue in this proceeding. Whether or not Mr. Vachon is ready, willing and able to operate Public in compliance with the Commission's regulations is the principal issue on which this transfer will be approved. Notice is served upon Public, however, that its supply contract will be closely scrutinized in Case No. 9565, a rate case currently pending before the Commission, and the new price may not be recognized for rate-making purposes.

FINDINGS

After reviewing the record, the Commission is of the opinion and hereby finds that:

1. Application has been made by Public to approve the sale of its stock to Edmund Vachon.

2. Mr. Vachon is ready, willing and able to operate Public in compliance with the Commission's regulations.

3. The customers of Public will best be served by approving the transfer requested in this proceeding.

IT IS THEREFORE ORDERED that:

1. The sale of 100 percent of the outstanding stock of Public to Edmund Vachon is approved.

2. Public shall issue, file and post an adoption notice pursuant to 807 KAR 5:011, Section 11.

Done at Frankfort, Kentucky, this 8th day of September, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Hemmelf
Chairman

Ken Ching L.
Vice Chairman

Sam Williams
Commissioner

ATTEST:

Executive Director